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15th Legislative Assembly of the Northwest Territories

Standing Committee on Accountability and Oversight

Report on the Review
of the Draft 2004-2005
Main Estimates

Chair: Mr. Roger Allen

MEMBERS OF THE STANDING COMMITTEE ON ACCOUNTABILITY AND OVERSIGHT

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MLA Inuvik Twin Lakes
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MLA Yellowknife Centre
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David Ramsay
MLA Kam Lake

Robert Villeneuve
MLA Tu Nedhe

Norman Yakeleya
MLA Sahtu

COMMITTEE STAFF

Doug Schauerte
Deputy Clerk

Colette Langlois
Director,
Research Services

Susan Martin
Committee
Researcher

Northwest Territories Legislative Assembly
Standing Committee on Accountability and Oversight

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SPEAKER OF THE LEGISLATIVE ASSEMBLY

Mr. Speaker:

Your Standing Committee on Accountability and Oversight is pleased to provide its Report on the Review of the Draft 2004-2005 Main Estimates and commends it to the House.

Roger Allen, MLA
Chairperson

P.O. Box 1320
Yellowknife
Northwest Territories
X1A 2L9
T: (867) 669-2299
F: (867) 873-0432
www.assembly.gov.nt.ca

STANDING COMMITTEE ON ACCOUNTABILITY AND OVERSIGHT REPORT ON THE REVIEW OF THE DRAFT 2004-2005 MAIN ESTIMATES

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Introduction

The Standing Committees of the Legislative Assembly of the Northwest Territories met from February 16 to February 28, 2004 to review the 2004-2005 Draft Main Estimates for each of the departments of the Government of the Northwest Territories.

The mandate of the Standing Committee on Accountability and Oversight includes the overview of the Government-wide budget and fiscal framework, as well as the budgets of the Executive Offices, Ministry of Aboriginal Affairs, Financial Management Board Secretariat and Department of Finance.

Government-Wide Issues

Financing and Resource Revenue Negotiations with Canada

The Committee wishes to express its full support for the Premier and Minister of Finance in their endeavours to get a fair fiscal deal from Ottawa for the Northwest Territories.

Negotiations have been underway for some time on a new formula financing agreement. It is essential that Canada agree to amend the formula it uses for calculating its grant to the GNWT. The current formula simply does not make sense for our Territory.

The future prosperity of the NWT also depends on the outcome of the negotiations for a fair share of resource development revenues.

The Committee is aware that the Government is working very hard to negotiate a fair deal for the Northwest Territories. Committee urges the Government to enlist the support of our Member of Parliament and Senator to join these efforts.

Proposed Changes to Taxes

In order to increase its revenues and reduce the deficit forecast for 2004-2005, the Government proposed a number of changes to taxes. The Minister of Finance provided a full briefing to the Committee on February 16, 2004.

Members were concerned about the impact of these tax changes on the already high cost of living and doing business in the Northwest Territories.

The Committee advised the Minister it would support an increase to the Corporate Income Tax rate. Members believe this increase is unavoidable: at the current rate of 12%, the GNWT is suffering a net revenue loss due to the formula Canada uses to calculate its grant.

Self-Government Costs

With the signing of the Tlicho Final Agreement last year and significant progress at other negotiating tables, self-government will soon be a reality. No one can reasonably expect that the new governments will be able to operate without an increase in the total number of dollars available to northern governments to provide programs and services. Self-government will bring many benefits to northerners, but it will also result in a loss of economies of scale, which means that government will cost more. There has been considerable discussion with the federal government about responsibility for these incremental costs.

Members strongly agree with the Government's position that incremental self-government costs are the responsibility of the federal government. The Committee fully supports the Minister and Government in holding firmly and consistently to this position. The Committee also urges the Government to maintain a strong position with respect to self-government implementation costs to ensure the GNWT does not pay costs that are the responsibility of the federal government.

> ***The Standing Committee on Accountability and Oversight recommends the Government continue to hold to its position that incremental self-government costs are the responsibility of the federal government;***
>
> ***And further, that the Government maintains a strong position with respect to self-government implementation costs in order to ensure the GNWT does not pay costs that are the responsibility of the federal government.***

Travel

The Committee was made aware that the 2004-2005 Draft Main Estimates reflect a government-wide 25% cut in travel budgets from 2002-2003 actual spending. The total travel expenditure reduction for all Departments is $3,171,000.

While the Committee applauds the government's efforts in this area, Members believe further savings are possible.

The Premier advised the Committee that all international travel must be approved at the Ministerial level. The Committee would urge the Premier to ensure this requirement is followed strictly, and that no staff, including Deputy Ministers, are ever authorized to approve international travel. The Committee would also urge the Premier to ensure that the costs of any international travel are clearly justified by benefits to the Northwest Territories.

Attendance at Federal/Provincial/Territorial Ministers meetings is another area where Members believe the Government may be able to make reductions. Travel costs for these meetings include not only Ministers' travel costs, but also those of staff traveling with the Minister. While there is a clear need for the GNWT to have a strong presence at some FPT meetings such as those for Health and Finance Ministers, there are many FPT meetings that have little or no relevance to the Northwest Territories. The Premier advised Committee that each FPT is assessed for its relevance. The Committee urges the Premier and Ministers to ensure each FPT is warranted and has real benefit to the NWT.

Executive Offices

The Standing Committee on Accountability and Oversight met with the Premier on February 17, 2004 to review the draft 2004-2005 Main Estimates for the Executive Offices.

The Executive Offices are proposing a $983,000 decrease in operations expenses from the 2003-2004 Main Estimates. This is primarily due to a decrease in funding to the Maximizing Northern Employment initiative.

Beaufort Delta Regional Office

A Director of Regional Operations position was created in 2002 to assist with regional coordination in the Beaufort Delta to prepare for the implementation of a final self-government agreement.

The Draft Main Estimates propose a decrease of $175,000 in the operations expense for this Office, as for 2004-2005 the responsibilities of the Director will be carried out only as needed by the Inuvik Regional Superintendent of the Department of Education, Culture and Employment. The Premier advised Committee that there is insufficient work at this time to justify a full time Director of Regional Operations. The Premier further advised that the Director will be preparing an evaluation report that will help to determine whether the Office should be continued.

The Committee endorses the downsizing of the Office for 2004-2005 in light of the lower than expected workload. Members hope to see a completed evaluation report at the time of the 2005-2008 draft Business Plan reviews.

Western Premiers Conference

It has been known for some time that Inuvik will be hosting the meeting of western Premiers and northwestern state Governors this summer. Members were therefore surprised to learn that no provision was made for this conference in the Executive Offices budget. The Premier advised Committee the meeting is still in the planning stages, work is ongoing to seek corporate sponsorships and therefore only a ballpark estimate of the costs is possible at this time.

Members were concerned that the absence of a budget for the meeting gives free rein to the organizers to allow costs to spiral out of control without any accountability. By including a fixed amount for the meeting in the budget, the Premier has an opportunity to signal that costs need to be kept at reasonable levels and that there is an expectation any overexpenditures will have a solid justification.

The Committee wrote to the Premier on February 27, 2004 to recommend that the Executive Offices budget be adjusted to make provision for the Western Leaders Meeting before presentation of the Main Estimates to the House.

Management Assignment Program

The new Management Assignment Program provides an opportunity for GNWT employees to develop management and leadership abilities through training and transfer assignments. The program was established in response to a concern that the public service is aging and there is a need to have trained staff in place to fill positions that become vacant as senior managers retire. Twenty-five employees have been accepted into the program to date.

Members were very concerned that the list of enrollees for this year does not reflect the number of Aboriginal employees in the public service. Members were also disappointed to see that only a few staff from regional offices were admitted to the program. The Committee believes that now more than ever it is essential the Government train more Aboriginal and regional managers. These are the people that will help the Government and northerners with the transition to self-government and the new government-to-government relationships that will need to be forged.

The Committee looks forward to further discussion of this program in the broader context of the Government's overall human resource policy.

Ministry of Aboriginal Affairs

The Committee met with the Minister on February 17, 2004 to review the draft 2004-2005 Main Estimates for the Ministry of Aboriginal Affairs.

The Ministry is proposing a $48,000 decrease in operations expenses from the 2003-2004 Main Estimates.

Implementation of Land Claim Agreements

The Committee is concerned about the slow implementation of land claim agreements and hopes to see considerable progress during the term of the 15th Assembly. Despite the considerable number of years since the signing of the agreements with the Inuvialuit, Gwich'in and Sahtu people, there are still numerous issues that need to be addressed so that critical parts of the agreements can have practical effect. The longstanding need for amendments to the *Wildlife Act* is only one example.

Earlier this year, the Auditor General for Canada made public her Report to the House of Commons on Matters of Special Importance for 2003. Chapter 8 of the Report included a number of observations and recommendations about Indian and Northern Affairs Canada's approach to land claims implementation, which was found to leave considerable room for improvement. While the Report is directed at the federal government, some of its observations and findings could apply equally to the GNWT. The Committee strongly believes the GNWT must make its position on these findings and on its own land claims implementation responsibilities clear to northerners by preparing a formal response to the Auditor General's Report.

> ***The Standing Committee on Accountability and Oversight recommends that within 60 days the Government prepare and make public a formal response to the Auditor General's observations and findings on land claims implementation within 60 days.***

Aboriginal Affairs Budget

In reviewing the Draft Main Estimates, Members noted that the budget for the Ministry is not broken down between separate functions such as the Directorate and internal administration, devolution and resource revenue sharing

negotiations and land claims and self-government negotiations. In the future, Committee would like to see the Aboriginal Affairs budget defined in more detail.

> ***The Standing Committee on Accountability and Oversight recommends that the Aboriginal Affairs budget be separated into multiple activities beginning with the 2005-2008 draft Business Plans.***

Mandate

Members noted that the mandate of the Ministry as set out under GNWT Policy 11.50 does not specifically make reference to the negotiation of devolution and resource revenue sharing agreements, and are concerned it does not adequately reflect the work the Ministry does on behalf of all northerners. The Committee would like to see the mandate of the Ministry updated and restated more accurately.

Department of Finance

The Committee met with the Minister of Finance on February 18, 2004 to review the draft 2004-2005 Main Estimates for the Department of Finance.

The Department is proposing a $3,167,000 decrease in operations expenses from the 2003-2004 Main Estimates. This is primarily due to savings realized from its new self-insurance program and an anticipated reduction in interest expenses for short-term borrowing.

Departmental Mission

The Committee noted that the Mission of the Department as stated in the draft Main Estimates includes the following:

> *4. Regulating the insurance industry and liquor sales, distribution and consumption to contribute to the well-being of communities and residents.*

Members believe the reference to the distribution and consumption of liquor and the well-being of communities and residents in the same sentence is highly inappropriate. The Committee recommends this statement be reworded in the 2005-2008 Business Plans.

Financial Management Board Secretariat

The Committee met with the Chairman of the Financial Management Board on February 18, 2004 to review the draft 2004-2005 Main Estimates for the Financial Management Board Secretariat (FMBS).

FMBS is proposing a $518,000 increase in operations expenses from the 2003-2004 Main Estimates. This is primarily due to forced growth in salaries and benefits and the Power Subsidy Program, which is partially offset by expenditure reductions and the transfer of the staff housing program to the NWT Housing Corporation.

Technology Service Centre

The Technology Service Centre (TSC) was established in 2003 and provides centralized service desk, desktop, network, server and network authentication support services to departments. Before the TSC, each Department had its own information technology (IT) staff providing these services.

2004-2005 will be the first year the TSC is fully operational. Early indications are the Centre has been successful in achieving more efficient and better-coordinated IT services across government.

Because it is early in the TSC's roll-out, Committee reserves comment on the overall efficiency of the initiative. Committee notes that between FMBS and Public Works and Services, for 2004-2005, a total of $11.7 million, and 47 person years are devoted to computer services for GNWT Departments. This does not include outside boards of agencies, which control their own technology budgets.

Committee will look forward to more detailed assessments of the TSC's performance during the next business plan cycle.

The Committee wishes to commend the Government not only for its initiative in establishing the TSC, but also for accomplishing its implementation with minimal fanfare and disruption to services. Members believe the TSC could serve as an example for other service centres the Government may consider establishing in the future.

Human Resources Service Centre

The Committee believes there are opportunities for the Government to build on its positive results with the TSC by looking at other potential service centres. In particular, Members believe there may be much to be gained in efficiencies,

better coordination and more consistent application of policies by establishing a human resource service centre.

All Departments currently have their own human resource staff, which is similar to the situation that existed with IT staff prior to the TSC. There are concerns about consistency between Departments, particularly when it comes to the hiring process. As well, government-wide human resources responsibilities are split between the Corporate Human Resources Division in the Executive Offices and the Labour Relations and Compensation Division in FMBS. Members believe it is time for the Government to restructure the way human resource services are provided on a government-wide basis.

> ***The Standing Committee on Accountability and Oversight recommends the Government investigate the feasibility of establishing a human resource service centre.***

If a decision is made to establish a human resource service centre, Members would hope to see the Government take a well-planned, low-key approach to implementation similar to what was used for the TSC.

Power Subsidy

The Power Subsidy Program assists residential and commercial customers in high cost communities by paying the difference between the Yellowknife power rate and the local rate up to a maximum number of kilowatt hours.

For 2004-2005, the subsidy is expected to cost $8,307,000, an increase of 16%, or $1,127,000 from the 2003-2004 Main Estimates. The total increase since the 2001-2002 fiscal year, when the subsidy program cost $5,419,000, is nearly $3 million. This means the program is growing by an average of about $1 million each year.

The Committee finds this growth trend alarming and is concerned about the sustainability of the program. Approximately $4 million of the subsidy is offset by the NWT Power Corporation's dividend to the GNWT. The balance of the subsidy is paid for from general revenues. Other programs and services will suffer if the subsidy is allowed to balloon.

> ***The Standing Committee on Accountability and Oversight recommends the Government bring back to the Committee, before the next draft Business Plan reviews, options for measures to stabilize power subsidy costs at current levels.***

Loan Guarantees

The draft Main Estimates for FMBS include a grant of $120,000 which reflects interest the GNWT has agreed to forego pursuant to a debt settlement. The debt arose from a loan guarantee the Government provided on behalf of a diamond manufacturing company that was unsuccessful in its operations. Under the terms of a negotiated settlement, the parent company has agreed to repay the principal of the loan in exchange for the GNWT agreeing to forgo the interest costs. The Committee learned that the total interest costs the GNWT has agreed to forego amount to $800,000 over ten years.

The Committee is very concerned that the GNWT appears to be inconsistent in its approach to collecting debts. In this case, Members wonder whether the GNWT could have taken a stronger position and insisted on repayment of the full debt, including the interest. The outcome of this case may be perceived as unfair by other debtors who have not enjoyed such leniency. It may also send a signal to the beneficiaries of the other approximately $17 million in diamond loan guarantees that should they get into similar financial difficulties they will be able to negotiate equally favourable settlements.

Audit Bureau

The Audit Bureau is proposing an increase of $35,000, or approximately 30%, in other expenses for 2004-2005 from the 2003-2004 Main Estimates. The Minister and his staff advised the Committee the reason for the increase is that the Audit Bureau anticipates using some additional contract resources, in part because they are having difficulties recruiting to fill three vacancies.

This information led Members to question whether the entire function of the Audit Bureau could not be contracted out to an outside firm which may be able to provide the services more efficiently, and also at arm's length from the GNWT. The Committee suggests the Government give this serious consideration, and report its findings during the 2005-2008 draft Business Plan review.